UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Trade Policy Dialogue: Trade Preferences Outlook 2024

New Market Access Cooperation

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UN trade & development UNCTAD

Key Messages

1

Trade Preferences Contributed (to some extend) to Exports/Development of Developing Countries

2

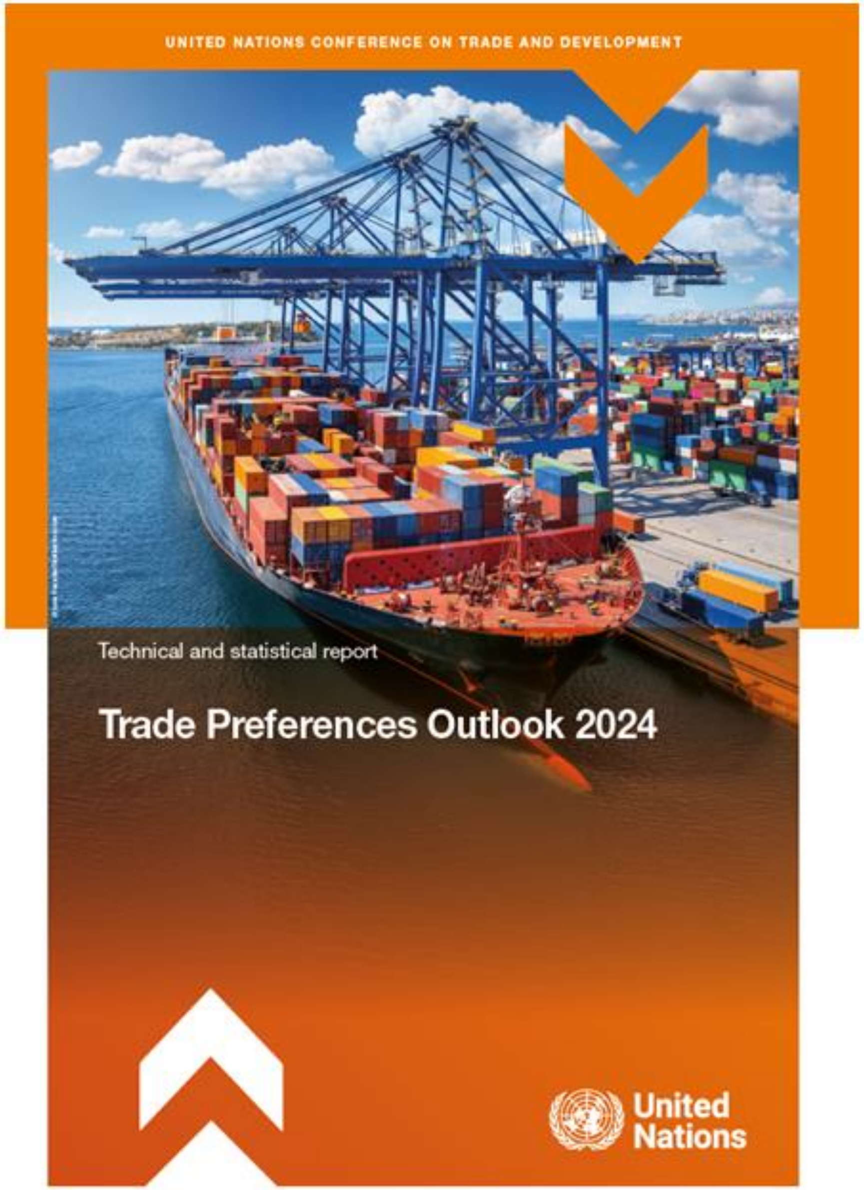
Today's World Trade is Different from 1970s.
We Need a Paradigm Shift

3

Tariff Concessions are not Enough. Deeper and Wider Cooperation Needed

Trade preferences outlook 2024

- What are non-reciprocal TPs?
  - ✓ Generalized, non-reciprocal & non-discriminatory
- What were their origin?
  - ✓ UNCTAD II (1968)
- How many economies provide NRTPs?
  - ✓ 16 developed and 9 developing countries
- How did they evolve?
  - ✓ RoO reforms, excluding upper MIC & introduction of DFQF schemes

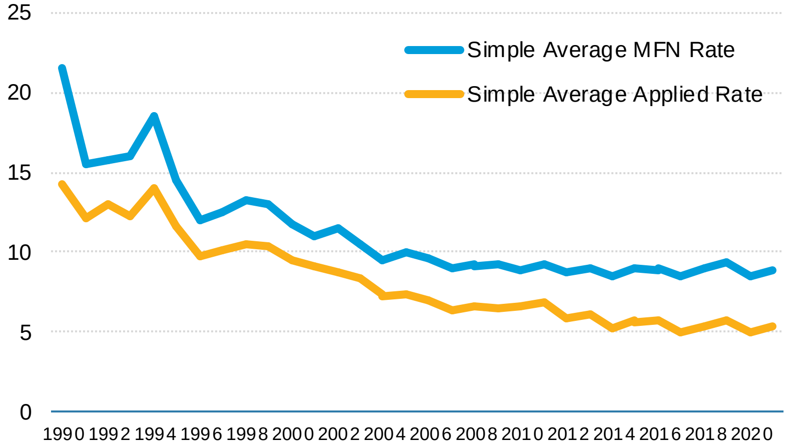


Where do we stand today?

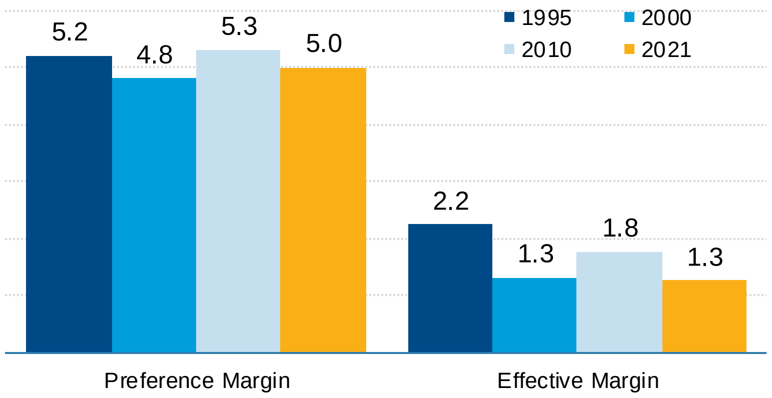
Are tariff preferences sufficient for promoting exports and diversification?

- Multilateral trade negotiations and RTAs
- Falling MFN and applied rates
- Constant preference margins (vs MFN)
  - ✓ 5% margin in high income country markets
- Low effective margins (vs competitors)
  - ✓ 1.3% effective margin
  - ✓ LDCs are marginalized from main RTAs

World average MFN and applied rates (%)



Preference and Effective Margins for LDCs (%)

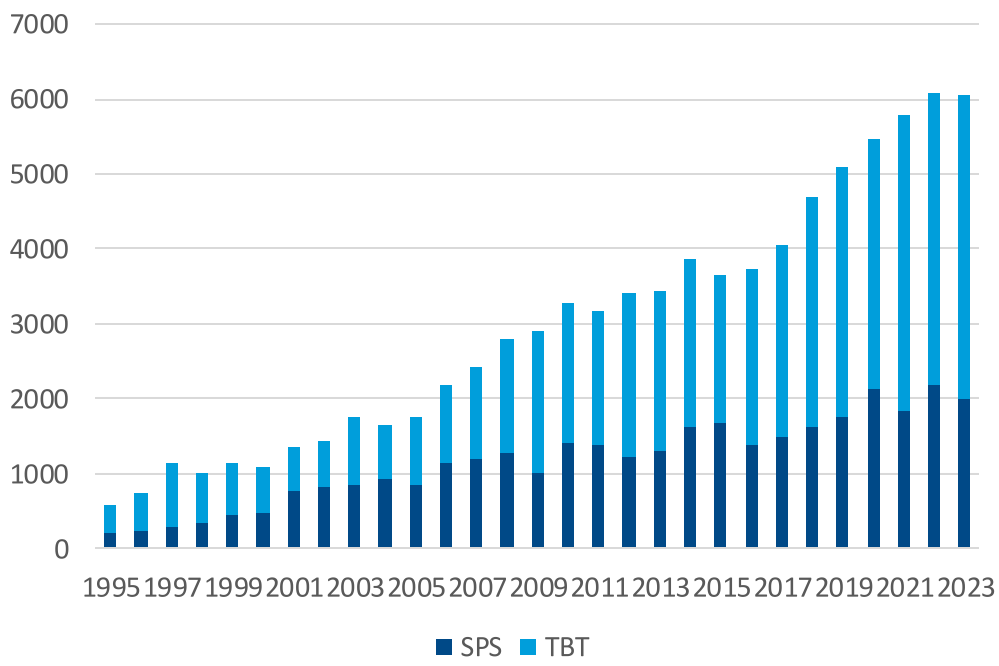


Non-Tariff Measures

Are NRTPs facilitating Non-Tariff Measure compliance?

- Global proliferation of NTMs
  - ✓ SPS/TBT notifications rose 10x
- High compliance costs for LDCs, small countries and firms
- NTM costs are double the cost of tariffs
  - ✓ 7.5% vs 3.9%
  - ✓ NTM costs are higher in agricultural products (21%)

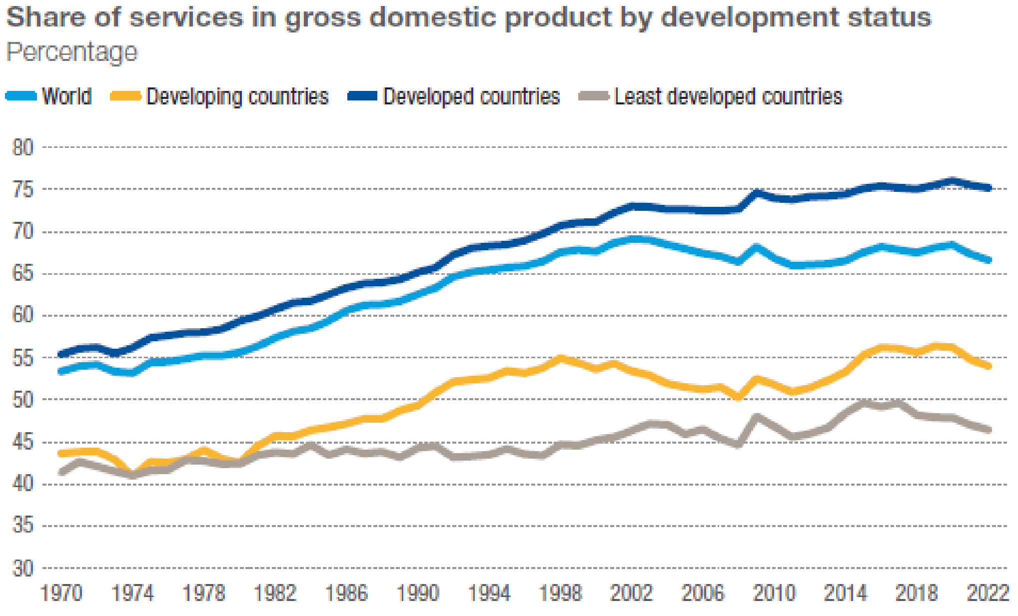
NTMs notified to WTO



Evolving factors of competitive advantage

Are NRTPs supporting beneficiary countries in other areas?

- Global Value Chains
  - ✓ Is your neighbor receiving trade preferences?
  - ✓ Are import regime of beneficiaries promote import of critical raw and semi-processed inputs?
- FDIs
- Rising technology and skill intensity of production
- Services trade
  - ✓ Rising share of trade in services and "servicification" of manufacturing



Source: UNCTADstat.

What's next? – Future of Trade Preferences

Design & Operation

- RoO reform and facilitation for LDCs
- Increase the number of DFQF granting markets
- Addressing concerns of non-LDC developing countries in special need

Coordination

- Making the process of trade preference schemes more participative
- Identifying the basic principles governing the design of the programmes

TPs for GVCs

- Making origin requirements more realistic in the light of beneficiaries' productive capacities
- Target a region or continent through development of regional value chains
- Predictability and stability

New Industrial Policy

- Programmes as a tool to support energy transition in beneficiaries
- DCs' industrial policy supporting industrialization in beneficiary countries (eg IRA of the USA)

What's next? – Beyond tariffs (1)

NTMs

- Not amenable for "preferential" application
- Regulatory cooperation, harmonization & mutual recognition?
- **Capacity-building Support** to lower certification cost?

Services

- Services exports & services inputs
- **LDC services waiver** as a basis for "GSP for services"? (digital, tourism, mode 4)
- How to factor in services value-added?
- **Services facilitation** via Services data and capacity building for LDCs?.

What’s next? – Beyond tariffs (2)

FDI

- Key driver of GVCs & export diversification
- FDI leads to more generous trade preferences to targeted products.
- **Outward FDI promotion/ incentives in preference beneficiaries?**

Access to Technology

- **“Preferential” transfer of technology in favour of LDCs (TRIPS 66.2)**
- Reduce tariffs and regulatory barriers?
- Include technical assistance and technology transfer mechanisms.

Development Cooperation

- **Built-in development assistance** to address supply-side constraints (ACP-EU cooperation)
- Leverage Aid for Trade.
- Address trade finance.

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Thank you

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Annex

Figure 4

Relationship between diversification probability and preference margin under Quad preference schemes

Percentage

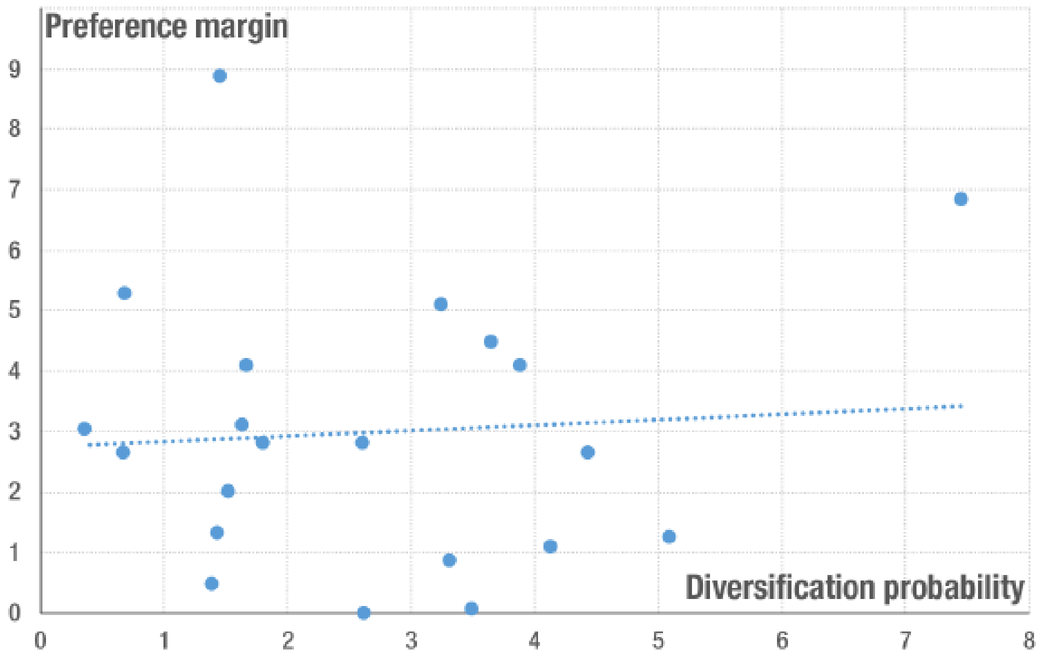
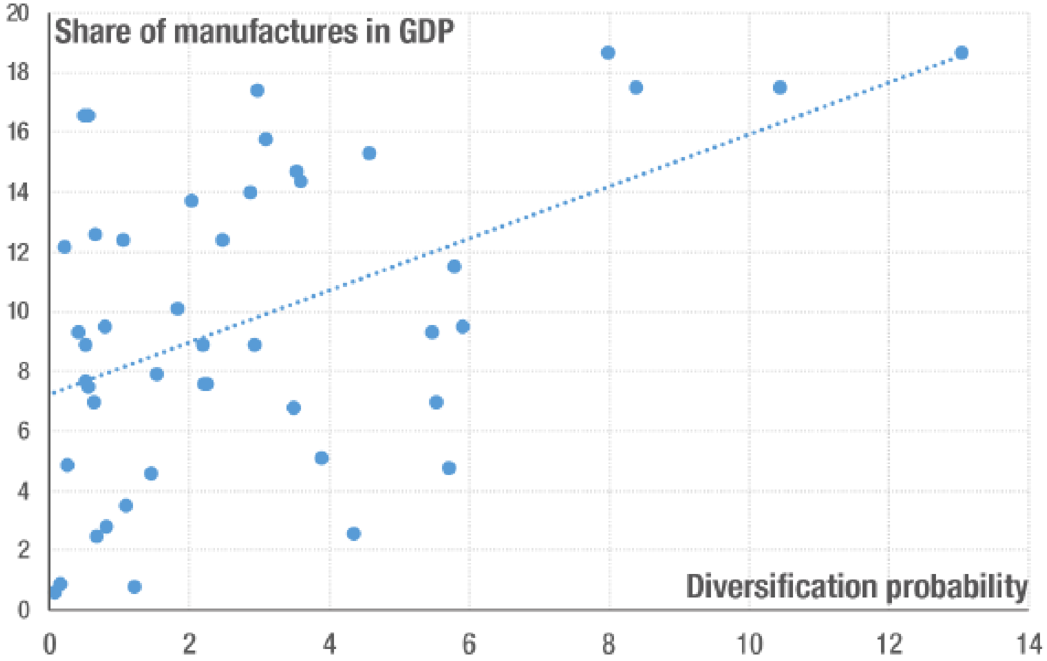


Figure 8

Relationship between diversification probability and the share of manufactures in gross domestic product

Percentage

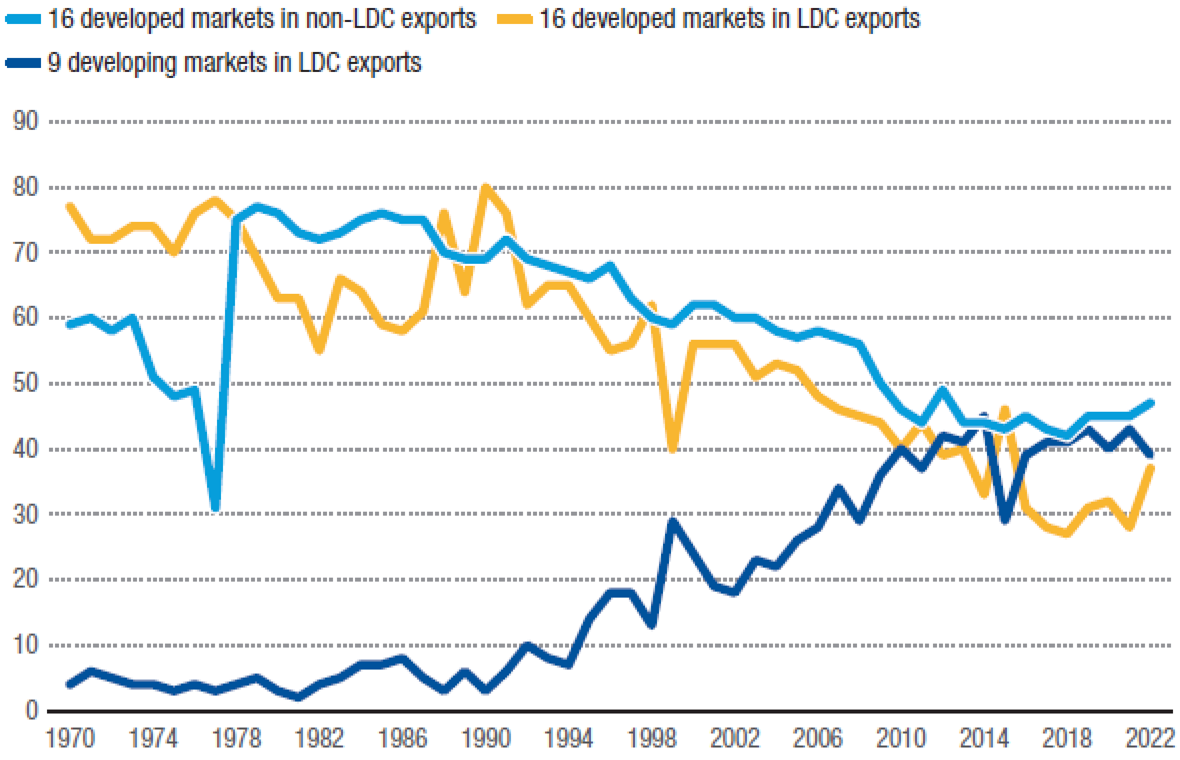


Annex

Figure 13

Share of preference-granting markets in beneficiaries' exports

Percentage



Annex

Figure 26

Preference utilization rates of least developed countries in apparel products in the European Union

Percentage

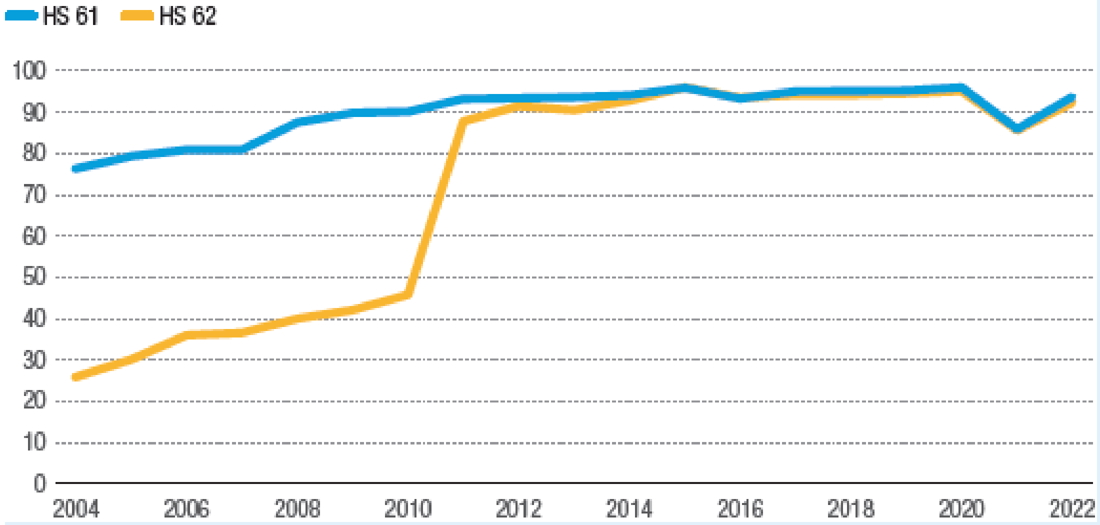
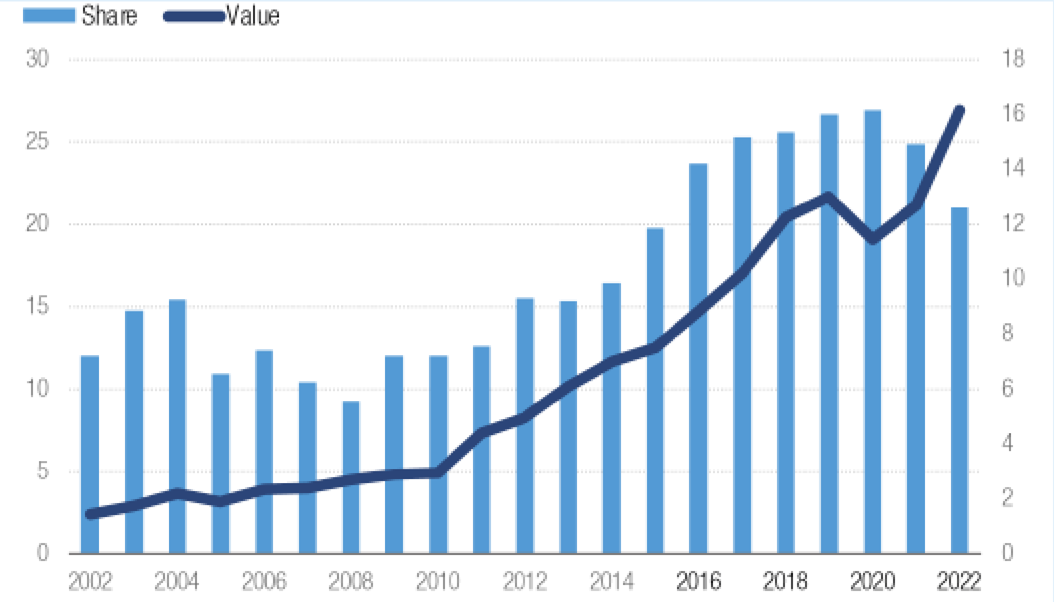


Figure 27

Value and share of apparel imports into the European Union from least developed countries

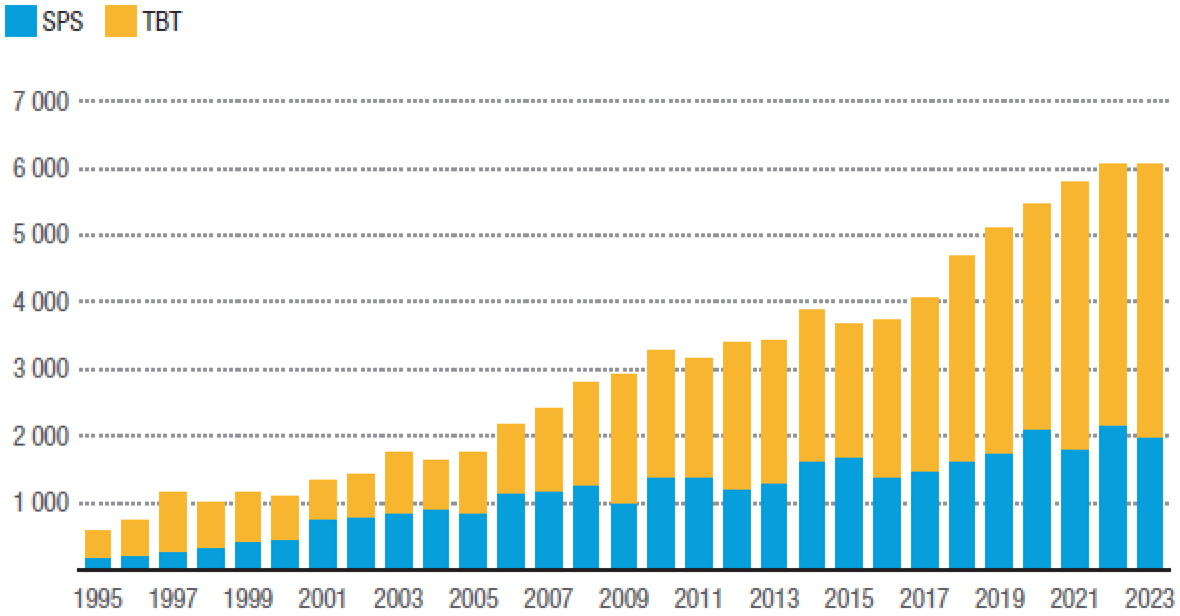
Billion dollars (right axis) and percentage (left axis)



Annex

Figure 28

Number of sanitary and phytosanitary measures and technical barriers to trade notified to the World Trade Organization



Annex

Figure 29

Share of high-skill and technology-intensive products in total manufactured goods exports by development status

Percentage

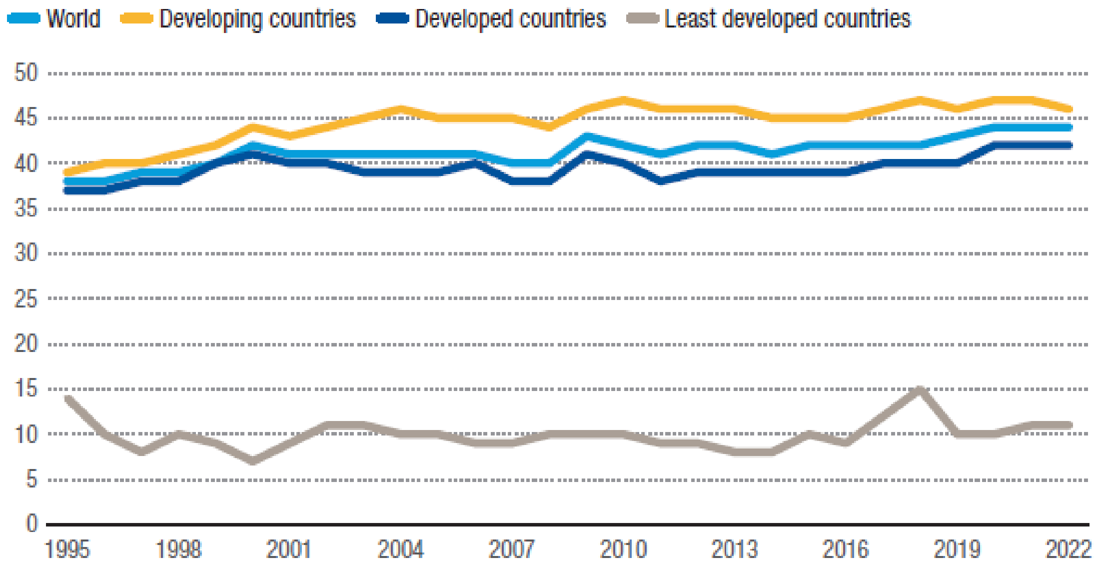


Figure 30

Share of labour force with advanced and intermediate skills in total employment by development status

Percentage